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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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State Department review completed

ARMY review(s) completed.

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SOVIET UNION

2. Soviet light industry to receive higher supply priority than heavy industry:

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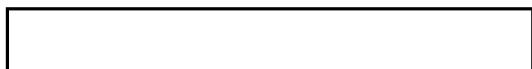
The USSR Council of Ministers on 5 October ordered the supply ministries to give first priority to enterprises manufacturing consumer goods and to fulfill their orders for raw materials and equipment regardless of other commitments.

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Comment: This is the first indication
that Soviet light industry will generally receive higher priorities
for raw materials than the heavy industrial ministries.

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FAR EAST

3. South Korean president plans visit to Formosa:

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[Redacted]

South Korean foreign minister Pyun told General Taylor on 16 November that President Rhee wishes to visit Chiang Kai-shek in Formosa in about one week. Pyun said the purpose of Rhee's proposed two-day trip is to return Chiang's 1949 visit to Korea and to discuss a joint statement regarding a Far Eastern anti-Communist pact.

The embassy in Seoul reports there are no indications that the proposed visit is in response to a specific invitation from Chiang or even that he has agreed to it.

Comment: Following discussions in October between Rhee and Chinese Nationalist representatives on a mutual defense treaty, both governments indicated to American officials that such a pact would be impractical without American support. It is known that Rhee is thinking of asking Chiang to join him in an appeal to the Asian people on the need for combating communism.

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SOUTHEAST ASIA

5. Vietnamese political maneuvers threaten Tonkin administration:

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[REDACTED]

The American consul in Hanoi reports that Premier Tam is attempting to bring about the replacement of Governor Tri of Tonkin by a nonentity who has bought his way to influence. The consul points out that if this maneuver succeeds, the consequent demoralization of the Tonkin administration might largely negate whatever military victories may be won.

Comment: The conflict between Tri and Tam is essentially one between the nationalism of Tonkin and the landlord-merchant aristocracy of Saigon. Tri has also been mentioned lately as a successor to Tam. Once before, with French backing, Tam broke up a Tonkin administration under Tri, with the result that an incompetent governor was appointed.

The final decision in this case rests with Bao Dai, who may permit Tam to triumph over one of Vietnam's most outspoken nationalists in order to allay French fears that Vietnam will withdraw from the French Union.

NEAR EAST - AFRICA

6. Iran increases pressure for American military aid:

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[REDACTED]

Ambassador Henderson in Tehran reports that in his last four conversations with the shah, the latter has insisted that an early American decision be made regarding future Iranian defense forces.

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[REDACTED]

Comment: The interest of the shah in developing a stronger Iranian army has been evident for a long time. He has repeatedly inquired concerning American views of the proper function of the Iranian army, apparently hoping thus to determine the nature and extent of possible American military aid.

The shah's indecisiveness and the lack of a native military tradition and potential are serious obstacles to development of a modern army in Iran.

WESTERN EUROPE

7. Austrian ex-foreign minister attributes dismissal to his stand against USSR:

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[Redacted]

Karl Gruber told Ambassador Thompson on 15 November that his dismissal from the Austrian cabinet last week was due primarily to his support of controls on strategic materials and to the belief among persons "around Chancellor Raab" that negotiations with the Soviet Union could not succeed while he was foreign minister.

Gruber defended the publication of his controversial memoirs as part of his policy of demonstrating that negotiations with Moscow can produce only limited results. He believes that the government may still be tempted to strike a "dangerous bargain" with Moscow.

Gruber said that former chancellor Figl will be appointed his successor.

Comment: There is no convincing evidence that Gruber seriously opposed the government's recent policy of "removing obstacles to the state treaty."

Figl, chancellor from 1945 until February of this year, has a reputation for levelheadedness.

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8. Adenauer angles for American intervention on Saar:

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In conversation with General Gruenthal and Ambassador Conant on 16 November, Chancellor Adenauer indicated that he still had some doubts that the current French-

German efforts to reach a Saar settlement would be successful. He suggested that American intervention might be required. He also asked General Gruenthal about the possibility of British-American agreement to rearm West Germany should the French fail to ratify the EDC treaty.

Adenauer added, however, that the way was still open for agreement in the Saar talks, and that a 14 November message from French foreign minister Bidault seemed to have improved the situation.

Comment: In view of hints by other West German officials in recent weeks that American intervention may be necessary, it appears likely that the Bonn government will ask for such action as soon as negotiations reach an impasse, which appears most likely to occur on the economic aspects of a settlement.

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